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SUPREME COURT, U.S.

No. 585

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

THIOKOL CHEMICAL CORPORATION
Petitioner,

versus

BURLINGTON INDUSTRIES, INC. AND
AVISUN CORPORATION
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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THIOKOL CHEMICAL CORPORATION
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BURLINGTON INDUSTRIES, INC. AND
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Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner Thiokol Chemical Corporation (hereinafter "Thiokol") prays that a writ of certiorari issue to review the decision of the U. S. Court of Appeals for the Third Circuit entered September 7, 1971 in cases Nos. 19,166 and 71-1031 (which were consolidated with No. 71-1030).

Opinions Below

The Opinion of the Court of Appeals in the consolidated cases is set out in the Appendix hereto at page A-2.

The Opinion of the United States District Court for the District of Delaware in the action on which appeal No. 19,166 is based is reported at 313 F.Supp. 253 and is reprinted in the Appendix hereto at page A-8.

Appeal No. 71-1031 was from an order of the United States District Court for the District of Delaware dated December 11, 1970 which is set out in the Appendix at page A-15.

Jurisdiction

The judgment of the Court of Appeals was entered on September 7, 1971. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

1. Does a United States District Court have jurisdiction of an action brought by a patent licensee against its licensor for declaratory judgment as to the validity, enforceability and infringement of the licensed patents, where there is a controversy between them on these issues which subjects the licensee's customers to an action for patent infringement of which the federal courts would have exclusive jurisdiction under 28 U.S.C. § 1338(a)*?

2. Does 28 U.S.C. § 2283* prevent a United States District Court from enjoining the parties in an action before it for declaratory judgment as to the validity, enforcement and infringement of patents, from further proceedings in a later-filed state court action between them involving the identical issues?

Statement of the Case

This is an action for declaratory judgment brought by Thiokol against Burlington Industries, Inc. and Avisun Corporation (hereinafter "Burlington" and "Avisun", respectively) for a declaratory judgment of the invalidity, unenforceability and non-infringement of U.S. patents Nos.

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* Set out in the Appendix at page A-1.

3,110,905; 3,336,178; and 3,359,934. All three parties are Delaware corporations. Jurisdiction was based upon 28 U.S.C. § 1338(a). The first two of the patents in suit are owned by Burlington and the third is owned by Avisun, with Burlington having the right to grant licenses under it.

The patents in suit cover certain types of tufted pile fabrics. Thiokol has never made or sold tufted pile fabrics but has made and sold backing materials which some of its customers have used in making such fabrics. Burlington licensed Thiokol under the patents in suit, the license agreement requiring the payment by Thiokol of a royalty of one cent per square yard of backing material sold by the licensee "which, but for this license, would infringe any of said claims of said patents if utilized as a backing material in the manner described in the patent" and provided that such payment "will automatically grant a customer *** or user of the *** backing material the right to utilize the *** backing material in the manner described in said patents *** without the payment of an additional royalty."

Thiokol did not pay any royalty under the agreement on certain backing materials which it has sold, and Burlington demanded such royalties. Thus, Thiokol's customers were not licensed to use these materials in making tufted fabrics under the licensed patents and were subject to an action for alleged infringement of the patents.

To resolve this controversy, Thiokol, on September 19, 1969, in reliance on this Court's decision in *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969), brought an action for a declaratory judgment of the invalidity, unenforceability and non-infringement of the licensed patents. On motion by defendants, the action was dismissed for want of federal jurisdiction, the District Court citing this Court's rule in *Public Service Commission* v. *Wycoff,* 344 U.S. 237 (1952), that "it is the character of the threatened action *** which will determine whether there is federal-question jurisdic-

tion." The District Court observed that since, at the time the action was filed, Thiokol was a licensee who was threatened with a state court action for breach of the license agreement, the reversal of the parties by the bringing of a declaratory judgment did not change the nature of the controversy as one justiciable in the state courts. Thiokol filed an appeal, No. 19,166, and the Court of Appeals for the Third Circuit affirmed.

Shortly after filing the first action, Thiokol gave notice of terminating the license pursuant to its terms and, after the effective date of termination, brought a second action in the U.S. District Court for the District of Delaware against the same parties for a declaratory judgment of the invalidity, unenforceability and non-infringement of the same patents. Again defendants moved for dismissal on the ground of lack of jurisdiction. The District Court denied this motion, since at the time the action was filed plaintiff was no longer a licensee, and the "threatened action" against plaintiff was one for patent infringement, of which the federal courts would have exclusive jurisdiction under 28 U.S.C. § 1338(a). On defendants' motion, the District Court certified the question for interlocutory appeal under 28 U.S.C. § 1292(b). Burlington and Avisun filed an appeal, No. 71-1030, and the Court of Appeals for the Third Circuit affirmed.

Meanwhile, on December 22, 1969, Burlington had brought an action in assumpsit against Thiokol in the Court of Common Pleas of Bucks County, Pennsylvania for recovery of royalties allegedly due under the license agreement. On its own motion, the U. S. District Court enjoined the parties from further proceedings in said Bucks County action pending final determination of the federal actions involving the same issues. Burlington filed an appeal, No. 71-1031, from that injunction and the Court of Appeals reversed, on the asserted basis of 28 U.S.C. § 2283.

Reasons for Granting the Writ

Appeal No. 19,166

In *Public Service Commission* v. *Wycoff*, 344 U.S. 237 (1952), this Court ruled that "it is the character of the threatened action *** which will determine whether there is federal question jurisdiction." Both the District Court and the Court of Appeals misapplied the doctrine of *Wycoff*, ruling that there was no federal jurisdiction since the "threatened action" against plaintiff was a state court action for breach of a license agreement, ignoring the additional "threatened action" against Thiokol's customers for patent infringement.

Since Thiokol's customers were licensed to use the backing materials obtained from Thiokol in making the tufted pile fabrics covered by the licensed patents *if and only if* Thiokol had paid on such backing materials royalties at the rate specified in the license agreement, and since Thiokol had not paid such royalties, its customers were clearly not licensed. Thus the only action which the patent owners Burlington and Avisun could have against the customers was an action for patent infringement, of which the federal courts would have exclusive jurisdiction under 28 U.S.C. § 1338(a). And, of course, a "threatened action" against Thiokol's customers creates the basis for a declaratory judgment action by Thiokol. *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952).

This Court should clarify the application of the *Wycoff* rule to situations like the present where there are *two* threatened actions, one state and one federal, and should make clear that as long as a federal action is threatened, there is federal jurisdiction for an action for declaratory judgment, even though a state action is also threatened.

Appeal No. 71-1031

In *Mandeville* v. *Canterbury*, 318 U.S. 47 (1943), this Court ruled that 28 U.S.C. § 2283 did not prohibit a federal

court from restraining proceedings in a later-filed state court action, where the suits in question were *in rem* or *quasi in rem* in nature.

In the recent case of *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, _____ U.S. _____, 91 S.Ct. 1434 (1971), this Court ruled that a decision of patent invalidity in an action for patent infringement against one defendant would estop the patent owner thereafter to prosecute an action for patent infringement against a different defendant, an effect which the Court referred to as "*in rem* invalidity."

A fortiori, a decision of patent invalidity would be binding in a second action between the *same* parties. Thus the Bucks County action and the federal action in the District of Delaware are *in rem* in nature.

This Court should make clear that its rule in *Mandeville* applies to copending federal and state actions involving the validity, enforceability and infringement of the same patents.

Since Thiokol's first federal action (which, as has been shown, was improperly dismissed) was filed before Burlington's Bucks County action, the District Court properly enjoined further proceedings in the latter action. In overruling that order, the Court of Appeals overlooked this Court's rule in *Mandeville* and the *in rem* nature of patent litigation.

Conclusion

Certiorari should issue to clarify the applicability of this Court's rule in *Wycoff* to situations where both federal and state actions are threatened, and the applicability of

this Court's rule in *Mandeville* to copending federal and state actions involving the same patents.

Respectfully submitted,

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APPENDIX

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Statutes Involved

28 U.S.C. § 1338(a):

> The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

28 U.S.C. § 2283:

> A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments.

Decision of the Court of Appeals

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 19,166, 71-1029, 71-1030 and 71-1031

THIOKOL CHEMICAL CORPORATION

v.

BURLINGTON INDUSTRIES, INC.,
and AVISUN CORPORATION

THIOKOL CHEMICAL CORPORATION,
Appellant in No. 19,166;

AVISUN CORPORATION,
Appellant in 71-1029;

BURLINGTON INDUSTRIES, INC.,
Appellant in Nos. 71-1030 and 71-1031

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Argued March 30, 1971

Before HASTIE, *Chief Judge,* and SEITZ and ALDISERT, *Circuit Judges.*

OPINION OF THE COURT

(Filed September 7, 1971)

HASTIE, *Circuit Judge.*

These consolidated appeals are from judgments in two consecutive suits, each filed in the District Court for the District of Delaware by the manufacturer of certain carpet backing against owners of certain patents to obtain declaratory judgments as to the validity of the patents and their possible infringement by the plaintiffs.

The complaint in the first suit acknowledges that the defendants have granted the plaintiff a non-exclusive license to use the patents in question and that the plaintiff has paid royalties thereunder for one type of carpet backing that it manufactures and sells. Plaintiff also asserts that it is about to manufacture and proposes to sell a somewhat different backing. It is alleged that the defendants have claimed that both backings are covered by the patents, although in fact and in law the patents are invalid and cover neither backing, and that royalties heretofore paid on one backing were paid in error. The complaint asks for a declaratory judgment that the manufactures in question do not infringe the patents, that the patents are invalid and that the plaintiff is entitled to recover the amounts paid as royalties.

The district court granted a defense motion to dismiss the action for want of federal jurisdiction. The only basis of jurisdiction pleaded or arguable is that section 1338(a) of title 28, United States Code, makes this action cognizable in a United States District Court as one that "arises under" the patent laws.[1]

To support that claim, the plaintiffs rely upon *Lear, Inc.* v. *Adkins,* 1969, 395 U.S. 653. But that decision merely abrogated the judge-made doctrine of "license estoppel" which had been a defense to attack by a licensee upon a patent, the benefit of which he had sought and received. Moreover, that case came to the Court for review of a decision of a state court. Thus, the question whether such a suit as we have here is within original federal jurisdiction was not before the court in the *Lear* case.

In resolving the jurisdiction question against the plaintiffs, the court below appropriately quoted the rationalization of the Supreme Court in *Public Service Comm'n* v.

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[1] Section 1338(a) reads:

"(a) The district court shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. . . ."

Wycoff Co., 1952, 344 U.S. 237, 248: "Where the complaint in an action for declaratory judgment seeks in essence to assert a defense to an impending or threatened state court action, it is the character of the threatened action, and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court."

Here, the plaintiff was threatened with no more than a suit by the defendants charging it as patent licensee with breach of contract to pay agreed sums for the licensed use of certain patents.[2] The prospect was that the question of the validity of the patents would arise only as a defense asserted by the present plaintiff. Hence, the controversy does not "arise under" the patent laws. *Product Engineering & Mfg., Inc.* v. *Barnes*, 9th Cir. 1970, 424 F.2d 42; *Ski Pole Specialists, Inc.* v. *McDonald*, 9th Cir. 1968, 159 U.S.P.Q. 709; *Cf. MacGregor* v. *Westinghouse Elec. & Mfg. Co.*, W. D. Pa. 1942, 45 F. Supp. 236, *aff'd.* 3d Cir. 1942, 130 F.2d 870.

The appellants cite decisions of lower federal courts which they view as reaching contrary conclusions.[3] However, we agree with the district court that the *Public Service Comm'n* v. *Wycoff* rationalization is controlling. The first action was properly dismissed.

In the second case, filed in May, 1970, after the dismissal of the first case, the same plaintiff has sued the same defendants in the same district court again seeking a declaratory judgment that the same patents are invalid.

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[2] Plaintiff suggests in its brief that defendants, relying on plaintiff's refusal to pay royalties as a repudiation of contract, might terminate the license and then move against plaintiff and its vendees as infringers. But there is no allegation or indication that defendants have proposed or threatened to follow that course.

[3] Leesona Corp. v. Concordia Mfg. Co., D.R.I. 1970, 312 F. Supp. 392, and JFD Electronics Corp. v. Channel Master Corp., S.D.N.Y. 1964, 229 F. Supp. 514, upon which appellants rely, and the more recent decision in Beckman Instruments, Inc. v. Technical Development Corp., 7th Cir. 1970, 433 F.2d 55, do not even advert to the rationalization of the concept of "arising under" the patent laws that we have expressed and believe to be correct and controlling.

However, after the filing of the first suit and before the filing of the second significant events occurred. In December, 1969, Burlington Industries had sued Thiokol Chemical Corp. in a Pennsylvania state court for royalties allegedly due under the licensing agreement. Thereafter, in March, 1970, the licensing agreement was terminated under procedure provided by the agreement itself.

The district court denied a motion to dismiss this action and in a separate order restrained further proceedings in the state action pending disposition of this appeal. The defendants sought and have been allowed appeals from the interlocutory order denying their motion to dismiss the action. Appellant Burlington also has appealed from the order temporarily staying the state action.

The termination of the license agreement removed the obstacle to federal jurisdiction that precluded the maintenance of the first suit. Moreover, under the liberal doctrine that prevails in this circuit, we think the second complaint sufficiently discloses a justiciable controversy between the plaintiff and the defendants whether the patents are valid and infringed. *Cf. Dewey & Almy Chemical Co.* v. *American Anode, Inc.*, 3d Cir. 1943, 137 F.2d 68; *Treemond Co.* v. *Schering*, 3d Cir. 1941, 122 F.2d 702.

It remains to consider whether granting relief to the plaintiff would violate the statutory command that a "court of the United States may not grant an injunction to stay proceedings in a state court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments." 28 U.S.C. § 2283. Before the filing of this second federal suit, Burlington Industries had sued the present plaintiff in a state court to collect royalties allegedly due on account of past use of the questioned patents. Moreover, the federal complaint asserts that Thiokol has refused to pay royalties because it believes that the patents are invalid and have not been infringed. Thus, the principal legal issues upon which the state action is likely to turn are the validity and the infringement of the patents. Preferring a federal

adjudication of these questions, the plaintiff seeks through the present action to forestall an otherwise competent and authoritative state ruling.

In such circumstances, it is clear that section 2283 of title 28 precludes the issuance of a federal injunction restraining the prosecution of the state action. *Atlantic C.L.R. Co.* v. *Engineers,* 1970, 398 U.S. 281; *Vernitron Corp.* v. *Benjamin,* 2d Cir. 1971, 440 F.2d 105. The fact that the disputed matter turns on a question of federal law does not justify a different result. For, as pointed out in the *Atlantic Coast Line* case:

> "[A] federal court does not have inherent power to ignore the limitations of § 2283 and to enjoin state court proceedings merely because those proceedings interfere with a protected federal right or invade an area preempted by federal law, even when the interference is unmistakably clear. . . . [I]f the District Court does have jurisdiction, it is not enough that the requested injunction is related to that jurisdiction, but it must be *'necessary in aid of'* that jurisdiction. . . . [T]he state and federal courts had concurrent jurisdiction in this case, and neither court was free to prevent either party from simultaneously pursuing claims in both courts." 398 U.S. at 294-95.

Normally, the policy that precludes federal injunctions against state actions is also applied to prohibit declaratory judgments which, though not enjoining the state proceeding, would decide and preempt the matter pending there. *Oklahoma Packing Co.* v. *Oklahoma Gas & Electric Co.,* 1940, 309 U.S. 4; *H. J. Heintz Co.* v. *Owens,* 9th Cir. 1951, 189 F.2d 505. True, the statute explicitly prohibits only injunctions. Its analogical extension to prohibit declaratory judgments is justified in situations where the underlying policy against unseemly interference with proper state litigation applies to both. But if the state suit is likely to turn on a question of federal law with which a federal court is likely to be more familiar and experienced than the state

court, and if the state court does not proceed in normal course to adjudicate the matter or otherwise manifests willingness to hold its hand pending federal decision on that question,[4] we think it is neither necessary nor desirable to construe section 2283 as precluding the federal court from issuing a declaratory judgment on the common federal question. Indeed, sound policy dictates that the federal court proceed to decision.

Accordingly, we conclude that the district court correctly refused to dismiss the second suit. However, that suit should not proceed unless and until it shall appear to and be found by the district court that the state court is willing to hold the matter before it in abeyance pending a declaratory federal adjudication.

Finally, the foregoing considerations do not apply to the district court's order in so far as it enjoined prosecution of the state proceeding pending decision in the second federal action. Even though that injunction is of limited duration and for a commendable special purpose, we think it cannot be squared with section 2283.

At No. 19,166 the order of the district court will be affirmed. At Nos. 71-1029 and 71-1030 the order of the district court will be affirmed with instructions to proceed in the suit as instructed in this opinion. At No. 71-1031 the district court will be instructed to vacate its order. No costs in this court shall be awarded to any party against any other.

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

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[4] Such action was recently taken by the state Supreme Court in a California case. Order of October 29, 1969 in Adkins v. Lear, L.A. No. 29204-07.

Decision of the District Court

IN THE

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

THIOKOL CHEMICAL CORPORATION, *Plaintiff*, v. BURLINGTON INDUSTRIES, INC., and AVISUN CORPORATION, *Defendants*.	CIVIL ACTION No. 3782

Thomas S. Lodge of Connolly, Bove & Lodge, Wilmington, Delaware; William C. Conner and Gordon K. Lister, of Curtis, Morris & Safford, New York City; Joseph A. McManus, James E. Hughes, and Hugh F. Fitzgerald, of Coudert Brothers, New York City, of counsel, for plaintiff.

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Aubrey B. Lank and William H. Uffelman, Jr., of Theisen, Lank & Kelleher, Wilmington, Delaware; C. Frederick Leydig and Dennis R. Schlemmer, Wolfe, Hubbard, Leydig, Voit & Osann, Chicago, Ill., and Richard J. Goetsch and William T. McClain, Chicago, Ill., of counsel, for defendant Avisun Corporation.

WRIGHT, *Chief Judge*.

This is an action for declaratory judgment under 28 U.S.C. §§ 2201 and 2202.

Defendants have moved to dismiss the complaint against them on the grounds that it fails to state a claim upon which relief can be granted and that the Court lacks jurisdiction over the subject matter. Fed. R. Civ. P. 12(b)(6) and 12(b)(1). Defendants assert that the complaint fails to set forth the existence of an actual controversy between plaintiff and defendants of which this Court has jurisdiction to grant declaratory relief.

Plaintiff seeks a judgment declaring that two types of its carpet backing are not covered by patents under which it is licensed by defendant Burlington, that the licensed patents are invalid, that the licensed patents have been misused, and that no royalties are payable to defendant Burlington under the license. Plaintiff further seeks judgment against Burlington for all royalties paid under the patents declared invalid and for the costs of this litigation. Defendant Avisun is joined because it is alleged to be the owner of one of the patents under license, although Burlington had been granted certain rights in the patent, including the right to grant licenses.

Plaintiff and defendant Burlington are successors in interest to an agreement dated May 28, 1964, between W. R. Grace & Co. and James Lees and Sons Company. By that agreement plaintiff has a non-exclusive license under U.S. Patents Number 3,110,905, 3,336,178, and 3,359,934. Plaintiff notified defendant shortly before commencing this litigation that it would no longer pay royalties on its Type 3013 carpet backing and did not intend to pay royalties on its Type 3011, soon to come on the market. Although the license agreement is terminable by the licensee on ninety days notice, no notice had been given when this action was begun on September 19, 1969. Plaintiff's counsel represented to the Court at oral argument that plaintiff gave notice in late December of 1969.

Plaintiff asserts that this action "arises under" the patent laws of the United States, 28 U.S.C. § 1338(a), in

that it seeks a determination that the patents are invalid and not infringed. The thrust of its argument is that "After Lear v. Adkins[1] removed the licensee's disqualification to attack the validity of the licensed patents, a licensee may sue for a declaratory judgment of invalidity if there is a justiciable controversy between the licensor and licensee respecting validity."

Since it is Congress alone which can enlarge the jurisdiction of the federal courts, plaintiff's position must be that *Lear* removed an impediment in the substantive law to the exercise of a jurisdiction which already existed. For the reasons set forth hereafter, the Court is of the opinion that the decision in *Lear* has little or no effect on the issues here, and that plaintiff's position is erroneous.

Equitable estoppel prevents a party from relying on an otherwise valid theory or claim, not because the Court lacks jurisdiction to hear it, but because it would be unfair to permit him to assert it. The Supreme Court pointed out in *Lear* that licensee estoppel arose from the conviction that it would be unjust to permit a licensee to attack patents whose benefits he had sought and received. *Lear* v. *Adkins, supra*, at 668. See also n. 14. The Court put an end to the doctrine, because it was felt to be inconsistent with the federal policy of free competition in use of ideas in the public domain. Id., at 674. *Lear* arose as a suit by a licensor for royalties, and nothing said therein relates to the jurisdiction of the federal courts over a licensee's request for a declaration of invalidity asserted in an independent action.

If, therefore, the instant action is within this Court's jurisdiction, it is not because plaintiff is now permitted to assert a defense to a contract action heretofore unavailable to it. It is because plaintiff's action comes to the Court as a result of an actual controversy between the parties which "arises under" the patent laws.

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[1] 395 U.S. 653 (1969).

It is clear that federal courts have jurisdiction of actions to declare particular patents invalid and not infringed. *General Tire and Rubber Co.* v. *Watkins,* 326 F.2d 926 (4th Cir. 1964). In such proceedings, however, the courts have been careful to determine that the plaintiff has in fact been charged with infringement. *Sanford* v. *Kepner,* 195 F.2d 387, 339 (3d Cir. 1952), *aff'd.* 344 U.S. 13 (1952), *McCurrach* v. *Chenery Bros.,* 152 F.2d 365, 367 (2d Cir. 1945), *Engler* v. *General Electric Co.,* 29 F.2d 421, 422 (S.D.N.Y. 1939), *Smith-Carona Marchant, Inc.* v. *American Photocopy Equip. Co.,* 214 F. Supp. 348 (S.D.N.Y. 1962), *Forest Laboratories Inc.* v. *Formulations, Inc.,* 299 F. Supp. 202, 211, 212 (E.D. Wis. 1969). The charge of infringement creates a justiciable controversy between the parties and the declaratory remedy permits a plaintiff to have an adjudication of the patent's validity and scope without waiting for suit by the patentee.

Defendants state that they have made no charge of infringement of the licensed patents; indeed, they could not. *MacGregor* v. *Westinghouse Electric & Mfg. Co.,* 45 F. Supp. 236, 237 (W.D. Pa. 1942). The purpose of a license agreement is to insulate those who pay for the use of patented processes or products from infringement charges and the burden of litigation. There are three situations only when a licensee could be charged with infringement: (a) the allegedly infringing devices are not covered by the license; (b) the license has expired; or (c) plaintiff has repudiated the license. *Ski Pole Specialists, Inc.* v. *MacDonald,* 159 U.S.P.Q. 709, 711, n. 4 (1968). None of those conditions is present in the instant case. The notice given in December, 1969, caused the agreement to terminate in March, 1970, but that fact cannot confer jurisdiction retroactively on this Court. *Forest Labs* v. *Formulations, Inc.,* 299 F. Supp. 202, 212 (E.D. Wis. 1969).

Counsel represented to the Court at oral argument that defendant has filed an action in Pennsylvania state court seeking royalties under the license. Plaintiff urges that

defendant's position in the state action establishes a controversy between them and makes this an appropriate case for the declaration of their rights. There is no question that plaintiff and defendant are embroiled in a dispute about the license agreement and the underlying patents. Passing the question of whether this Court may consider counsel's representations of litigation pending elsewhere on this motion to dismiss, plaintiff's position ignores the requirement of 28 U.S.C. § 2201 that the controversy be one within the jurisdiction of the federal court. The rights and remedies of these parties are controlled by the state law of contract which they chose to invoke. Federal questions will likely be reached in the state litigation, but it will take more than the abolition of licensee estoppel to convert those questions into a case "arising under" the patent laws of the United States.

In *MacGregor* v. *Westinghouse Electric & Mfg. Co., supra* at 237, the Court said:

> "Actions brought to enforce contracts involving patent rights are not actions arising under the patent laws of the United States of which the Federal Courts have exclusive jurisdiction irrespective of citizenship. Such 'suits not only may, but must, be brought in the state courts.' *Pratt* v. *Paris Gas Light & Coke Co.*, 168 U.S. 255."

The only action which the defendant could bring against the plaintiff at the time of this litigation was commenced was a contract suit in the state court. But cf. *Leesona Corp.* v. *Concordia Mfg. Co., Inc.*, 165 U.S.P.Q. 386 (D.R.I. 1970).

In *Public Service Comm'n* v. *Wycoff Co.*, 344 U.S. 237, at 248 (1952), Mr. Justice Jackson said, "Where the complaint in an action for declaratory judgment seeks in essence to assert a defense to an impending or threatened state court action, it is the character of the threatened action,

and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court." In the instant case, as in *Wycoff*, the realistic position of the parties is reversed, and the plaintiff seeks to have this Court declare that it has a valid defense to defendant's state court contract suit. This action is not one arising under the patent laws.

In a case decided after the decision in *Lear*, the Tenth Circuit agrees that *Wycoff* forbids actions of this type. *Product Engineering and Manufacturing, Inc.* v. *Barnes*, 165 U.S.P.Q. 229 (10th Cir. 1970). Even before *Lear*, Judge Leahy of this Court indicated that an action by a licensee to declare invalid the license agreement and the underlying patents did not confer federal jurisdiction. *Atlas Imperial Diesel Engine Co.* v. *Lanova Corporation*, 79 F. Supp. 1002, 1004 (D. Del. 1948). See also *MacGregor* v. *Westinghouse Electric & Mfg. Co., supra*, and *Ski Pole Specialists, Inc.* v. *MacDonald, supra.*

Plaintiff urges that since the agreement is now terminated and infringement becomes a viable issue, this Court is the only forum in which all issues may be adjudicated. Additionally, says plaintiff, the real possibility of two trials risks inconsistent determinations of the patents' validity. The short answer is that this action is no more proper for determination of the infringement issue than the state action. At the time it was filed, plaintiff could not infringe. As to the risk of inconsistent adjudications, this Court has confidence that the principles of *res judicate* and collateral estoppel insure against the horror of relitigating validity between the same parties. See *Vanderveer* v. *Erie Malleable Iron Co.*, 238 F.2d 510 (3rd Cir. 1956).

Finally plaintiff urges that this Court has jurisdiction of its action for a declaration of non-use, citing *JFD Electronic Corp.* v. *Channel Master Corp.*, 229 F. Supp. 514 (S.D.N.Y. 1964). Although language in that opinion seems

to support plaintiff's assertion, the Court believes the case is inapposite. Plaintiff there was a licensee under the patent whose invalidity and non-infringement is asserted. Judge Wyatt held on summary judgment that the licensee was estopped to assert invalidity, but that adjudication of the non-infringement claim would be proper. The result appears to flow from Judge Wyatt's conviction that *Ostow & Jacobs, Inc.* v. *Morgan-Jones, Inc.*, 180 F.Supp. 38 (S.D. N.Y. 1959) was controlling. *Ostow & Jacobs* was a defamation of product case, wherein Judge Dimock sustained federal jurisdiction because "an aspect of the federal law of patents is essential to plaintiff's success." 100 F.Supp. at 43. From the portions of the complaint and prayers for relief quoted in *JFD,* and the apparent concession by defendant that it had "charged in the trade an infringement by plaintiff of the Greenberg patent," it appears that defendant had made known to the plaintiff's customers that sale or use of the accused product subjected them to potential infringement litigation. Under those circumstances, the Court had jurisditcion for the reasons stated in *Ostow & Jacobs.* To the extent that *JFD* indicates that a licensee who asserts non-use only of licensed patents may resort to the federal courts for declaratory relief, this Court expresses its respectful disagreement.

Defendants' motion to dismiss the complaint will be granted. Submit order in accordance herewith.

Wilmington, Delaware
May 25, 1970

Order of the District Court
Entered December 11, 1970

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

THIOKOL CHEMICAL CORPORATION, *Plaintiff*, *v.* BURLINGTON INDUSTRIES, INC. and AVISUN CORPORATION, *Defendants.*	CIVIL ACTION No. 3906

ORDER TO STAY

AND NOW, TO WIT, this 11th day of December, 1970, this Court, on the application of defendants, having entered an Order certifying this case to the United States Court of Appeals for the Third Circuit, pursuant to 28 U.S.C., Section 1292(b), the Court on its own motion, in consideration of the orderly administration of justice, and over the objection of defendant, Burlington Industries, Inc., hereby

ORDERS that the plaintiff Thiokol and the defendant Burlington in the within action are hereby ordered not to proceed further in the case captioned *Burlington Industries, Inc.* v. *Thiokol Chemical Corporation*, Civil Action No. 1578, presently pending in the Court of Common Pleas of Bucks County, Pennsylvania, until the final disposition of defendants' petition under Rule 5, F.R.A.P., for an appeal from the Order entered herein upon this Court's Opinion dated November 16, 1970 denying defendants' motion to dismiss

the within action and in the event of such appeal, until the final disposition of such appeal.

/s/ CALEB M. WRIGHT
Chief Judge

Approved as to form:

/s/ THOMAS S. LODGE
Attorney for Plaintiff

/s/ EDWARD B. MAXWELL, 2ND
Attorney for Defendant
Burlington Industries, Inc.

/s/ AUBREY B. LANK
Attorney for Defendant
Avisun Corporation